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ABSTRACT

The purpose of this report is to summarize what is known about performance-based pay for teachers in a form useful to state educational policymakers. Section 1 reviews the experience of local education agencies with various forms of merit pay, contending that experience with and evaluations of these merit plans serve as "natural experiments" that have implications for state policy. Section 2 reviews the research literature on merit pay in and outside education, concentrating on what is known about the most and least effective ways to design and operate merit pay plans. In section 3, the policy positions of the major professional educational organizations are analyzed to identify points of agreement and disagreement that influence the negotiation of state and local merit pay policies and plans. Finally, the current actions being taken and discussed at the state level are examined. The state proposals have not been in effect long enough to produce evaluative data, but they can be assessed against the research literature and the experience of local education association and professional organizations. (Author/TE)

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MERIT PAY FOR TEACHERS
An Analysis of State Policy Options

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MERIT PAY FOR TEACHERS
An Analysis of State Policy Options

Policy Issue Series No. 1 January 1985
(reprint July 1987)

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Executive Summary

The purpose of this report is to summarize what is known about performance-based pay for teachers in a form useful to state educational policy makers. Section 1 is a review of the experience of local education agencies with various forms of merit pay. The authors argue that experience with and evaluations of these merit plans serve as "natural experiments" that have implications for state policy. Section 2 aggregates the research literature on merit pay in and outside education. Concentration is placed on what is known about the most and least effective ways to design and operate merit pay plans. In Section 3, the policy positions of the major professional educational organizations are analyzed to identify points of agreement and disagreement that influence the negotiation of state and local merit pay policies and plans. Fourthly, the current actions being taken and discussed at the state level are examined. The state proposals have not been in effect long enough to produce evaluative data, but they can be assessed against the research literature and the experience of local education associations and professional organizations.

This is not intended to be a position paper favoring or opposing merit pay. The authors have attempted to report accurately on the information available currently on this policy issue. When all the information sources point to a conclusion, they have noted that fact. When all the information sources are in conflict, they have tried to present both points of view. In

the final section on conclusions and implications, you will find useful generalizations whether your personal preference is to advocate or oppose the growth of merit pay systems in education. In the former instance, there are suggestions to optimize policy initiatives that might be taken at the state level on incentives for teachers. In the latter, some of the limitations and requisite conditions for merit pay plans are made clear.

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MERIT PAY FOR TEACHERS: AN ANALYSIS OF
STATE POLICY OPTIONS

1. Merit Pay Plans in Local Educational Agencies

Educational policymakers in local education agencies (LEAs) had every reason to congratulate themselves in the 1930s and 1940s when they moved to a "single salary schedule." They were remedying almost universal ills in educational compensation plans (i.e., differential pay based on sex, grade level, and personal favoritism). And these newer compensation plans retained merit provisions of substance. In an era in which baccalaureate degrees were not required for all teachers and masters degrees were rare, the schedules rewarded advanced preparation for teaching. They recognized the advantage of job experience. Most of them included provisions for extra pay for extra service (e.g., coaching or working with the band, dramatics club, or school newspaper). Competition among local districts for teachers meant that these schedules were also market sensitive, at least at the beginning salary levels, among hiring agencies.

The personnel compensation policy that was labeled a single salary schedule never did mean, as some careless critics now point out, that all teachers were paid the same salary regardless of quality. The salary range for classroom teachers under the single salary schedule has been comparable to the range for personnel in other professional groups to which teaching might be compared (e.g., nursing) and was argued as justifiably appropriate for an occupational group in which the members were receiving borderline professional compensation. The schedule addressed the

issue of providing a floor under teachers' salaries rather than focusing on competition for an inadequate salary pool.

The Key Policy Issue on Teacher Compensation

The purpose in reviewing where LEAs are now in salary policy and how they arrived at this point is to place the emerging policy alternatives on teacher compensation in perspective, free of the hyperbole that often surrounds policy debates in the public sector. The issue for local school districts can be stated matter-of-factly:

- How can we move from a merit salary schedule that recognizes training, experience, and extra pay for extra work to one that does all those things and also rewards superior teaching in the classroom?

AND

- Is it possible to do that in such a way that the reward for outstanding performance raises the productivity of the teaching staff as a whole?

The answer to those questions is not self-evident. For example, most school superintendents support the concept of merit pay based on classroom performance (80%); but have never been involved in the implementation of such a merit pay plan (84%); are not aware of a successful plan (93%); and have not discussed moving to a merit pay plan with their school boards since the publication of A Nation at Risk (77%) (American Association of School Administrators [AASA], 1983, p. 5). In fact, the superintendents were probably stretching a point when sixteen percent

reported they had been involved in the implementation of a merit pay plan. In 1978, the Educational Research Service (ERS) was able to find only four percent of the 11,502 local school systems surveyed operating a merit plan (ERS, 1979, p. 35). A 1983 update provided no indication that the number of districts employing merit systems had increased (ERS, 1983).

However, in the case of local school districts even small percentages of participants result in large numbers of trials. These local efforts to invent and implement alternatives to the single salary schedule can be treated as natural experiments to clarify state-level options in merit pay for teachers.

Characteristics of Local Merit Pay Plans

Whatever one can imagine in a merit pay plan for teachers can be found in one or more LEAs: plans that offer one time bonuses to teachers as awards, others that vary yearly increments on a basic salary schedule; plans that operate on quotas, and others that give some merit recognition to all teachers; plans based on observation of classroom performance, student test scores, the accumulation of training credits, the assumption of extra duties, and a combination of some or all of these features; plans that focus on individual performance, and others that are built upon team performance--usually a school building team; plans that have been in operation for thirty years, others that did not last 30 months.

But, in the midst of this diversity, there are commonalities in the approaches of LEAs to teacher compensation:

- Most LEAs (96%) are not using pay for performance systems;

- More LEAs that have tried merit pay systems have dropped them than have retained them;
- Most LEAs invest little money in their merit pay systems--many spending less than the cost of a single teacher's salary for the entire plan;
- The majority of the plans employ an assessment of input criteria to evaluate teachers (e.g., knowledge of subject or evidence of preparation); and
- Less than one of five attempt to link merit pay to student achievement test scores.

If one were pressed to generalize the experience of local school districts in compensation plans for teachers, it would be appropriate to note that performance-based merit pay plans have been (1) difficult to initiate, (2) hard to sustain, (3) based on process rather than product measures of performance, and (4) supported with modest budgetary allocations.

Innovations in Local Merit Pay Plans

The interesting things to note about merit pay in LEAs come not from the typical plans, but from those that have been cited repeatedly in the literature because they are extraordinary in some respect. In the midst of inconstancy, for example, some plans are characterized by durability (e.g., the Ladue, Missouri School District has operated a continuous merit pay plan since 1931). While most districts have avoided the use of student achievement test scores in their merit plans, a few have emphasized them (e.g., Weber School District of Ogden, Utah and the

Seiling, Oklahoma schools are basing individual merit awards for teachers solely on classroom student test scores and Dallas, Texas is providing outstanding school performance awards for the top 25% of schools scoring above student achievement expectancy levels). Most districts have sought precision in measurement to reward a few teachers; however, some have emphasized comprehensiveness of criteria to include most teachers (e.g., Houston's Second Mile Plan that includes provisions for (1) market-sensitive pay in areas of teacher shortage, (2) flat grant stipends for teaching in schools with educationally disadvantaged or special students, (3) bonuses for attendance, (4) stipends for completing in-service training courses, and (5) stipends for service in a school where student achievement test scores are high). While most districts have grappled with refinements in conventional evaluation techniques, others have been innovative in changing the evaluators (e.g., the Toledo, Ohio use of peer evaluation that has captured the interest of teacher groups concerned with equity in evaluation).

None of the local plans is an exemplar. Most local policymakers argue, at best, that the plan is working well for them in their local context. Reporting in detail on a single plan has little utility, but looking across the more popular and successful local plans may offer clues to emerging trends in merit pay plans in LEAs. We think there are trends that are likely to dominate experimentation in teacher merit pay plans in the near future:

- Including Student Outcome Measures in Evaluation. The persistent interest by the public in some form of product or outcome evaluation of teacher performance will continue. Districts are responding to this pressure by (1) combining outcome measures with other evidence on teacher performance, and (2) broadening the unit of outcome evaluation from the classroom to the school by allocating rewards for school building gains in achievement (e.g., Dallas and Houston).

- Increasing the Criteria Used in Evaluation. School districts are moving toward the use of diversified measures in assessing the performance of teachers. These more comprehensive rating systems take into account various combinations of classroom observation of performance, in-service training, student output measures, assumption of additional classroom-related responsibilities, and involvement in extra-curricular activities. This trend has the dual advantages of (1) increasing the total body of evidence on which evaluations are based and (2) expanding the number of positive contributions for which a teacher could be rewarded.

- Emphasizing Achievable Standards Rather than Exclusive Awards. Many of the current plans are searching for ways to provide reinforcement to most teachers rather than using a quota system or emphasizing withholding merit pay from poor performers. The Ladue plan, as an extreme case, reported that all 245 teachers in the system received some merit pay during the 1982-83 school year--actual increments ranged from $2100 to $4500 (ERS, 1983, p. 41). The Seiling, Oklahoma plan, which is noteworthy

for its exclusive use of student test score gains, granted awards in 1983 to 38 of its 43 teachers (ERS, 1983, p. 46).

- Using Teacher Participation in Evaluation. Although the majority of operating programs that rely on classroom performance evaluation do not employ peer review, this feature is being incorporated in several of the most prominent new plans (e.g., Toledo, Ohio and Charlotte-Mecklenburg, North Carolina). The Round Valley, California plan has added a type of negotiated evaluation (i.e., teachers have an opportunity to design a part of their individual evaluation by choosing to be assessed in special areas of expertise, such as materials development, teaching an elective course, or running a school activity).

- Integrating Merit Pay with Personnel Development. More local plans are emphasizing merit pay as an integral part of the district's personnel development system. These plans make clear that merit pay presupposes a reasonable salary base, selective retention of teachers during the probationary period, opportunities for in-service professional development, and job enrichment or enhancement as well as extra pay. Charlotte-Mecklenburg, for example, refers to its plan as a "Teacher Career Development Program."

- Involving Interested Parties in Planning. The best of the new plans are providing time and opportunity for the board of education, citizens, administrators, teachers, and parents to be involved jointly in designing and planning for the implementation of merit pay. This movement recognizes that there are competing interests which need to be represented at all stages of the

process. A plan that misses community objectives is useless. A plan that is not feasible to administer or credible to teachers is hopeless.

- Taking Time for Planning and Implementation. The most highly publicized of the new merit plans is the career ladder design of Charlotte-Mecklenburg. The planning for that project began four years ago and the planning for implementation is already projected to July, 1988 (National School Boards Association [NSBA], 1984, pp. 18-22). Building a career development program, of which merit pay is a part, is a process not an event. Initial design needs to be followed by a period of experimentation, followed by redesign, constant evaluation, and renegotiation. When merit pay is introduced in a school system, it becomes an integral part of the LEA's personnel development program. As such, it requires time for design and planning and continuous evaluation and refinement.

What, then, can we say in summary about local merit pay plans for teachers? Firstly, they are becoming less homogeneous and are trying to respond to interests and pressures of diverse groups. School-based reward plans, for example, are an effort to emphasize student achievement and yet ameliorate the abuses inherent in employing test scores to evaluate individual teachers. Secondly, they involve more people (e.g., peer evaluation) and look at more evidence (multiple criteria) to improve both the validity and reliability of evaluation. Thirdly, they are attempting to emphasize reward rather than punishment by establishing diverse performance goals and setting

achievable performance expectations. Fourthly, they are involving more of the interested parties in the planning, design, and implementation of the systems and allowing more time for implementation. Perhaps most importantly, the best of the new plans consider merit pay to be only one facet of a personnel development system--and an aspect that may have negative rather than positive effects on the system as a whole unless it is integrated thoughtfully with the system.

Evaluation of Local Merit Pay Plans

There is little evaluative evidence on merit pay plans for teachers. There is no compelling evidence to suggest that merit pay is related positively or negatively to teacher motivation or performance or student outcomes. Many merit pay plans for teachers have failed on simple grounds--they have been dropped by the district. Although the paucity of data on the outcomes of using various forms of merit pay in LEAs makes decisions in this area by the policymaker problematic, the Educational Research Service did query the respondents in both their 1979 and 1983 surveys about why they had dropped merit pay plans. Those district administrators noted the following problems (ERS, 1983, pp. 17-20):

- Unsatisfactory evaluation procedures--This is the key difficulty. Districts noted that the criteria or procedures failed on grounds of impartiality, reliability, or validity.

- Administrative problems--These included changes in school district leadership, the time involved in evaluation and record keeping, and apparent failure to meet program goals.
- Staff dissension--High on the list of reasons for termination were lowered teacher morale, opposition by teacher unions, jealousy among teachers, and charges of favoritism by evaluators.
- Financial problems--These included a lack of funds to support the merit system, insufficient funds to make a meaningful distinction between merit and non-merit increments, and the unanticipated level of the cost of the plan to the local taxpayer.

On the other side of the coin, a team of researchers for the Rand Corporation, searching for successful evaluation programs, surveyed 32 school districts identified as having thoroughly developed teacher evaluation programs and studied four of the districts in detail. They arrived at five conclusions which they argued were necessary, but not sufficient, conditions for successful teacher evaluation (Wise, Darling-Hammond, McLaughlin, & Bernstein, 1984, pp. xi-xiii):

1. "To succeed, a teacher evaluation system must suit the educational goals, management style, conception of teaching, and community values of the school district."

The team warned school districts against adopting an evaluation system simply because it worked in another district. And they advised state policymakers to consider this conclusion

before attempting to impose prescriptive teacher evaluation requirements on local districts.

2. "Top-level commitment to and resources for evaluation outweigh checklists and procedures."

The recommendations growing out of this conclusion emphasized allocation of sufficient time to evaluation, continuous assessment of the quality of evaluation, and adequate training and retraining of evaluators.

3. "The school district should decide the main purposes of its teacher evaluation system and then match the process to the purpose."

4. "To sustain resource commitments and political support, teacher evaluation must be seen to have utility. Utility depends on the efficient use of resources to achieve reliability, validity, and cost-effectiveness."

5. "Teacher involvement and responsibility improve the quality of teacher evaluation."

In support of this conclusion, the team recommended (a) the use of expert teachers in the supervision and assistance of their peers and (b) the involvement of the local teachers' organization in the design and oversight of the teacher evaluation system.

Evidence on why merit pay plans succeed or fail is helpful if one presupposes that the plan is effective in obtaining organizational ends in the first place. We will have to turn to a broader research literature on merit pay to support or challenge that presupposition.

Summary of State-Level Policy Implications

What are the implications of these local experiences with merit pay for state educational policy planners? Surely it is clear that there is no local plan that is appropriate for dissemination to all schools. Since most local districts currently reward only experience, level of training, and extra service, they would need time to plan and experiment before they could be expected to adopt any merit system based on performance and/or outcomes. The failure rate of past efforts to implement merit pay plans in LEAs suggests that mandating action or a specific plan will probably cause negative reactions from local boards, administrators, and teachers who will have to live with the consequences of new plans that fail.

There are some interesting new ideas in local merit pay plans that seem worthy of further exploration through experimentation, i.e.:

- Peer evaluation;
- Comprehensive evaluation criteria; and
- School-wide rather than individual assessment of merit.

There are other necessary features of newer merit pay systems that seem so important they would have to be reflected in an effective system, i.e.:

- Joint design, planning, and implementation involving all concerned parties--teachers, administrators, parents, community;
- Long term planning and development; and

- Integration of the merit pay plan with the district's personnel and career development plans.

And undergirding the entire effort to employ merit pay for teachers are the assumptions that:

- The base pay for teachers will be competitive with other professions requiring similar preparation; and
- The compensation for merit will be sufficient to justify the effort to evaluate and the extended, continuous negotiations required to sustain joint involvement in the process.

2. Research on Merit Pay for Teachers

Research literature exists in both education and business and industry to inform policymakers about the necessary elements of any incentive structure policy. Issues of key importance include:

- Merit pay and the improvement of teachers;
- Strategies and tactics of implementation; and
- Merit pay and local school improvement.

Merit Pay and the Improvement of Teachers

Concerns with teacher quality emerge as reformers seek ways to improve schools. The argument is simple and straightforward. If you want to improve schools, improve teachers. This focus on teachers leads to a variety of issues surrounding teacher personnel policies. How do schools recruit academically able teachers? How do schools retain academically able teachers? How do schools improve teachers? A popular solution is to establish teacher incentive structures, pay for performance. But this solution presupposes a set of assumptions about people, incentives, and productivity. And, pay for performance schemes are unlikely to offer solutions to this broad range of teacher personnel issues.

Recruitment. People choose professions for many reasons including security, self-esteem, intrinsic satisfaction, and high pay (National Association of Secondary School Principals [NASSP], National Association of Elementary School Principals [NAESP], & AASA, 1984, p. 7). Those who choose teaching as a career identify intrinsic rewards such as providing service and the opportunity to work with young people (Lortie, 1975; Rosenholtz &

Smylie, 1983). People who avoid teaching as a career cite low pay and low prestige as factors (NASSP et al., 1984, p. 7). To tap into this latter pool through incentive schemes assumes that prospective teachers would be willing to wait for rewards and professional reinforcement until they are eligible, sometime in the future. No research supports this assumption. If pay and prestige are important factors in career choice, the appropriate solution to the problem of teacher recruitment is to increase the base pay so that teaching is competitive with other professions requiring similar amounts of education and training (Rosenholtz, 1984). Incentive structures will do little to improve recruitment. Arguments are made that, even though there is not a direct link between incentive structures and recruitment, there is an indirect relationship (i.e., across-the-board pay raises for teachers will not occur unless incentive structures are in place). No evidence exists in education or any other profession to support that argument.

Retention. Teachers leave teaching for a variety of reasons. The most commonly cited is not compensation but early unsuccessful teaching experiences (Rosenholtz, 1984, p. 13). Specifically, teachers leaving the profession identify factors that negatively affect their teaching performance including, for example, lack of opportunities for professional growth and development, inadequate preparation time, conflicts with administrators and/or peers, and student discipline. "Teachers who do not succeed early in their careers are not likely to endure years of continuing difficulty in the classroom in order to receive higher

pay and promotions later" (Rosenholtz, 1984, p. 15). Are the teachers who are leaving the profession the most academically able or are they experiencing lack of success because they are the least able? The most academically able are the most likely to leave teaching (Schlechty & Vance, 1981, 1983; Vance & Schlechty, 1982). Thus, the appropriate solution to the problem of retention of academically able teachers is the improvement of school conditions and the provision of support to beginning teachers. Incentive structures will probably do little to increase the retention of academically able teachers.

Performance. Will any form of pay for performance improve teaching? Are financial and/or prestige incentives motivators of higher productivity? Yes, under certain conditions. First, pay is a motivator. The research evidence from business and industry clearly supports this position. But "pay can be a motivator for effective performance when it has two fundamental properties. First, it has to be important to people; second, it has to be tied to their performance in ways that are visible, creditable, and perceived by them to be direct" (Lawler, 1983, p. 305). The first property is usually a given (i.e., pay is important to most people). The second property is where most pay for performance schemes fail. Teacher incentive structures might be a useful intervention to influence teacher improvement. But, their appropriateness depends on certain design characteristics and tactical choices (i.e., the manner in which the pay is linked to the performance).

In summary, incentive structures are obscurely related to the purposes of improving recruitment and retention of quality teachers. Incentive structures may, however, relate to the improvement of performance depending on the design of strategies and tactics of implementation.

Strategies and Tactics of Implementation

The strategies and tactics of implementing merit pay plans are not simple, technical matters. Rather, the complexities of establishing performance criteria, developing valid and reliable measures and processes, and selecting rewards and delivery systems are at the core of the development and implementation of merit pay plans. The research literature provides information to policymakers interested in building a teacher incentive structure policy.

Criteria. Pay for performance presumes the ability to judge excellence in performance. When it comes to teaching this is no easy task, despite the growing body of literature on effective teaching. Assertions are made that school districts have no agreement about goals for their schools and that no consensus exists about what constitutes effective teaching (Johnson, 1984a, p. 181). "Because there is little agreement on what qualities constitute exemplary teaching, there is little consensus on whether or not superior teaching can be accurately measured. Researchers have encountered so many problems in evaluating teachers that some feel it is not a productive area of inquiry" (Newcombe, 1983, pp. 12-13).

Teaching is a multifaceted activity that can be thought of in terms of input and output variables. Input variables are those things a teacher brings to teaching, such as educational preparation, knowledge of subject matter, proficiency in minimum competencies, as well as classroom performance (e.g., student discipline, lesson preparation, questioning techniques, and engagement of students in learning tasks). Output variables are the results of teaching performance including, for example, improved student behavior and increased student achievement (Jordan & Borkow, 1983a, pp. 27-29).

These input and output variables are relevant to teaching performance. But, environmental variables also need to be kept in mind (i.e., those factors over which the teacher has little or no control) such as the academic ability of students and parental and community attitudes toward school (Jordan & Borkow, 1983a, pp. 27-29). Additionally, arguments have been made that criteria of effective teaching lack sufficiency in that they do not encompass the scope and complexity of teaching. But introducing additional measures also adds complexity to the evaluation system. The more complex the evaluation system, the more questions are raised about the evaluation processes and the evaluators.

Processes. To be effective evaluation processes must be valid and reliable. An evaluation system is valid if it measures what it purports to measure. An evaluation system is reliable if it produces consistent measures. Evaluation systems currently in use have been attacked on the grounds that they lack both validity and reliability.

Conventional evaluation systems have typically relied on the measurement of input variables (Bacharach, Lipsky, & Shedd, 1984, pp. 26-30). Academic preparation, as measured by the amount of graduate coursework or advanced degrees, has been a common criterion for advancement on the single salary schedule. But concerns with the quality of teachers have resulted in the use of written tests (e.g., the National Teacher Examination) to measure academic preparation. There is no evidence to suggest that scores on the National Teacher Examination predict success in teaching regardless of whether success is measured by teacher ratings or student achievement gains (Soar, Medley, & Coker, 1983, p. 241). There is no evidence that teacher competency tests focusing on minimum literacy, or knowledge of subject matter, or professional knowledge are related to student achievement (Soar et al., 1983, p. 241).

Measurements of classroom performance have typically relied on the use of rating scales to be used during classroom observation. Measurement experts assert that measurement procedures must have four attributes: (1) use of a standard task; (2) a written record of performance; (3) an agreed-upon scoring key; and (4) publicly available norms or standards. Rating scales lack these attributes and, therefore, lack the minimum properties necessary to accurately measure performance (Soar et al., 1983, p. 243). Rating scales also lack validity in that they rely on beliefs about characteristics of effective teaching which may or may not be supported by research or agreed upon by teachers. Finally, rating scales are highly susceptible to the halo effect

(i.e., the rater may be inappropriately influenced by an overall impression about the competence of the teacher being evaluated) (Soar et al., 1983, p. 245).

Additionally, classroom observations of teaching performance have repeatedly been argued to be unreliable. Even trained evaluators produce inconsistent results. Research studies have documented that different evaluators rate the same teacher very differently (Newcombe, 1983, p. 13). Thus, who evaluates is a concern of teachers. Typically the responsibility for evaluation rests with the building principal. Also typical is the complaint that administrators are too far removed from the classroom to accurately interpret what they see. Administrators complain about the lack of time available for thorough observation and evaluation. Since merit pay systems require multiple observations of all teachers, time constraints become severe (Bacharach et al., 1984, p. 26). To respond to these problems, some trials are underway in which teams comprised of administrators and skilled teachers carry out evaluations (Newcombe, 1983, p. 14). This is not a solution without difficulties, however. First, peer evaluation for merit pay may produce tensions among the teaching staff and reduce the collegiality necessary in effective schools (Rosenholtz, 1984, p. 25). Secondly, teaching effectiveness does not presume effectiveness as an evaluator. Minimum criteria for evaluators are that they be impartial, credible, and well-trained in evaluation processes and procedures.

Because of the lack of reliability and validity in conventional evaluation systems, recent evaluation systems focus on an

output variable (i.e., student achievement as measured by scores on standardized tests). But student achievement test scores also fail as valid and reliable measures of teacher performance for two reasons. First, student variability including student ability, ease or difficulty in learning, and student store of knowledge at the beginning of the school year affect student scores on standardized tests. Secondly, classroom variability affects scores on standardized tests. Teaching is context-specific and individual classrooms may vary considerably in terms of student academic ability, attendance, entry level learning, and non-school experiences. Finally, even if measures of student achievement were reliable, the use of standardized tests to evaluate teachers negatively affects the quality of teaching. Predictably, teachers teach to the test. Teaching method and content are modified to focus on the simple objectives contained in standardized tests rather than more complex, harder to measure objectives.

In summary, arguments can be made that current evaluation processes are "subjective, unreliable, open to bias, closed to public scrutiny, and based on irrelevancies" (Johnson, 1984a, p. 184). Even in systems where the reliability and validity seem to be high, the credibility of the rating to the person being rated may still be low because of the tendency of people to overrate themselves. In summarizing the research from business and industry, Lawler noted that individuals tend to overrate their own performance and underestimate the performance of others, which becomes a source of dissatisfaction about the evaluation system

and the job (Lawler, 1981, pp. 12-14). "Several studies on merit pay in industry show that employees rate themselves more highly than their employers do, and their later performance is affected negatively when their employer does not agree with their self-ratings" (Center on Evaluation, Development, and Research, 1984, p. 2).

Difficulties with evaluation is the most frequently cited reason for districts abandoning merit pay. "Perceptions that merit evaluations are biased, subjective, and generally unfair are probably more responsible for teacher opposition to merit pay systems than any other factor" (Bacharach et al., 1984, pp. 29-30). There are not now, nor will there be, performance criteria and evaluation processes that are both comprehensive and complex and valid, reliable, and equitable. To be effective an evaluation process that is part of a merit pay system must be accepted as fair and reasonable by both teachers and administrators (Newcombe, 1983, p. 15). Thus, the basic issue in developing and implementing a merit pay evaluation process is political, not scientific. Teacher evaluation is context-based. Negotiations at the local level among all interested parties--teachers, administrators, the school board, and the public--need to be entered into in order to arrive at a credible, satisfactory compromise. And, all interested parties need to be cognizant of and committed to providing the human, technical, and financial resources necessary for effective implementation of an agreed-upon teacher evaluation system.

Rewards and Delivery Systems. Various types of rewards may be considered for inclusion in teacher incentive structures. Categories of incentives are: (1) compensation plans, e.g., merit pay, bonuses, grants, sabbatical leaves, special training opportunities; (2) career options, e.g., career ladders; (3) enhanced professional responsibilities, e.g., master teacher plans, differentiated staffing; (4) non-monetary recognition, e.g., awards programs; and (5) improved working conditions (NASSP et al., 1984, p. 16). The issue for the consideration of policymakers is whether these rewards are incentives for improved performance. Incentives are a type of reward that are exchanged for specific work behavior (Mitchell, Ortiz, & Mitchell, 1984, p. 1). To have incentive value, the reward must be reliable and predictable and the mechanisms for controlling reward distribution must be known (Mitchell et al., 1984, p. 1). The strengths and weaknesses of particular incentives vary according to the context of local school districts and how the incentive system is structured and the rewards delivered (NASSP et al., 1984, p. 27).

Structuring a merit pay delivery system requires other choices. Is the merit pay to be restricted by quotas or available to all? Should the delivery system distribute incentives to individuals, work groups, or organizational units? The establishment of a quota system promotes competition and underscores the selectivity of the merit pay awards. Thus, the merit pay may seem unattainable to some, encourage isolation, hinder cooperation, and foster negative staff relationships (Johnson, 1984b, p. 16). An obvious option is to have unrestricted merit pay awards.

Another option is to distribute rewards to all staff in schools that meet an agreed-upon standard of achievement so as to reduce competition among teachers and increase collegiality and cooperation.

Effective communication and participatory decision making processes are critical to the development of an appropriate delivery system. Participants must be well-informed about the nature of the merit pay plans, the control of rewards, and the performance appraisal system (Lawler, 1983, p. 309). The importance of the involvement of participants in designing pay systems has been demonstrated in business and industry. "[W]hen participation takes place, people have more information about the system and greater feelings of responsibility, commitment, and control. And as a result, they trust the system more, have more favorable perceptions of the plan, and the system is more effective in producing the desired behavior" (Lawler, 1981, p. 50).

The negative behaviors that might also accompany merit pay systems cannot be overlooked or underestimated. Teachers may modify their teaching approaches, focusing solely on the activities associated with merit. Merit pay, an extrinsic reward, may replace intrinsic motivation to improve teaching and actually result in lowered motivation levels. Merit pay plans of the past have increased dissension, rivalry, and jealousy among teachers, and have negatively affected teacher-administrator relationships (Bacharach et al., 1984, pp. 16-23). These potential negative responses underscore the fact that merit pay must be

conceptualized as one part of a local district's comprehensive personnel management and staff development program.

Merit Pay and Local School Improvement

Merit pay is being discussed as an intervention to improve schools through improving teachers. The relationship between merit pay plans, local school improvement efforts, and the characteristics of effective schools is another important consideration for policymakers.

Fittingness. Fittingness is the level of compatibility between the merit pay plan and the local district context. For an incentive structure to be useful it must fit the local context including organizational conditions, the personnel management system, and emerging norms of excellence including collegiality and cooperation. Local school districts vary in terms of the characteristics of teachers employed, the characteristics of students attending the schools, the expectations about education held by the local community, and the resources available for improvement efforts. Incentive structures must be formed with an awareness of these differences. What works in one district will not necessarily work in another.

Merit pay plans must also fit the purposes of the local districts. Teacher evaluation may serve several purposes: (1) to promote accountability; (2) to foster improvement; (3) to inform organizational decisions; and (4) to assist decision making about individuals (Wise et al., 1984, p. 12). One system probably cannot meet all purposes. The processes used for improvement are

quite different from the processes used for personnel decision making. Thus, there needs to be a match between the purposes and processes of teacher evaluation and the purposes of the local district. Merit pay plans must also match local district purposes. A merit system built to achieve all purposes will fail from overload.

Effective Schools and School Improvement. The effective schools, effective teaching, and school improvement research literatures provide information about patterns of professional behavior in effective school organizations. Effective schools are characterized by leadership on the part of the building principal, a shared instructional focus, high expectations and a sense of personal efficacy, and collegiality and cooperation among school staff. The professional development of teachers occurs when: (1) teachers engage in frequent and precise talk about teaching practice; (2) teachers are observed frequently and provided with useful feedback; (3) teachers work together in the preparation and evaluation of materials; and (4) teachers teach each other (Little, 1982). This focus on the school as workplace and on personnel relationships leads to the view of professional development as an organizational, rather than an individual, phenomenon (Little, 1982, p. 338). These findings should be cause for concern to policymakers considering teacher incentive structures. If the incentive structure is competitive it "would likely obstruct rather than promote collegiality and cooperation among teachers. Competitive reward systems encourage

independence rather than cooperation and divert employees' commitment from group goals to personal goals" (Johnson, 1984a, p. 184).

Summary of State-Level Policy Implications

What are the implications of the research literature on merit pay for state educational policy planners? First, merit pay will not serve the broad purposes of improving recruitment and retention of effective teachers. Under certain conditions, however, a merit pay plan that is integrated into a comprehensive personnel and staff development program may positively affect teacher performance. School districts have few ways in which to recognize teaching effectiveness. Merit pay may provide a way to do that.

Secondly, there is no compelling empirical evidence to support either the claims of the advocates or detractors of merit pay. No policy decision about merit pay is obvious or necessary. The strategies and tactics for implementing merit pay plans are not simple, technical matters. Instead, they involve a set of complex choices about performance criteria, evaluation processes, and meaningful incentives and effective delivery systems. Establishing performance criteria and evaluation processes are political issues that need to be negotiated at the local district level. There are no performance criteria and evaluation processes that are at the same time comprehensive, complex, valid, reliable, and equitable.

Thirdly, the design of effective merit pay plans requires effective communication and participatory decision making among

all interested parties. The review of the research literature indicates that delivery systems should be unrestricted. All teachers should be eligible. In light of the school improvement and effective schools research, consideration should be given to distributing incentives based on school rather than individual teacher performance.

Finally, to be successful, merit pay plans should fit the local district context and purposes and be designed to enhance collegiality and cooperation. Choosing merit pay, in any of its various forms, or no form of merit pay, involves organizational tradeoffs that can be ameliorated but not eliminated (e.g., competition vs. collaboration, evaluation vs. improvement, or rewarding vs. helping). These choices are better made at the local district level.

3. Merit Pay and the Professional Education Organizations

The policy positions on merit pay assumed by professional education organizations are often portrayed simplistically, e.g., the National Education Association (NEA) opposes merit pay; the National School Boards Association (NSBA) favors it. These statements do reflect the basic orientations of the associations. However, they do not describe the substantive and procedural positions of the associations in sufficient detail to reveal the critical points of agreement and disagreement that would influence the negotiation of a salary policy that might be acceptable to the concerned organizations.

Points of Agreement

Since merit pay for teachers was recommended by each of the earliest reports on education reform in 1983 (i.e., The Report of the National Commission on Excellence, the Twentieth Century Fund Task Force, and the Education Commission of the States Task Force) most of the professional education organizations have updated their policy statements on teachers and teaching, including merit pay, within the past year. Unsurprisingly the associations agree with the reformers, and with one another, about the goal of their policy assertions on teaching. Each notes that the policy is intended to improve educational quality through the improvement of the quality of the teaching workforce. More

surprisingly, the associations also agree on several basic elements of a merit pay policy for schools[1]:

1. Whatever the benefits of a merit pay plan, it is only a minor part of a comprehensive personnel development plan needed for the improvement of teacher quality.

The NSBA policy statement on merit pay has the fewest reservations about the likely success of a performance-based merit salary system for teachers. However, NSBA advocates simultaneously increased attention to in-service education, teacher training and certification, programs of teacher recognition, and "methods to give the profession of teaching the status and recognition necessary to fulfill the mission of the public schools" (NSBA, 1984, p. 3). The National Association of State Boards of Education (NASBE), while recommending experimentation with "mechanisms that reward teaching excellence," also recommends experimenting with "an across-the-board increase in teacher compensation" and scholarship and loan forgiveness programs. NASBE recommends further the upgrading of admission standards to the profession, improving teacher training programs, emphasizing in-service education, and improving teacher evaluation (National Association of State Boards of Education, 1984, p. 31). There is no one out there arguing that merit pay alone will solve the problem of teacher quality or performance.

[1] The association positions noted in this section are those of the American Association of School Administrators (AASA), American Federation of Teachers (AFT), Council of Chief State School Officers (CCSSO), National Association of Elementary School Principals (NAESP), National Association of Secondary School Principals (NASSP), National Association of State Boards of Education (NASBE), National School Boards Association (NSBA), and National Education Association (NEA). Official policy statements adopted in 1983 or 1984 were available from AASA, AFT, CCSSO, NAESP, NASBE, and NSBA. The NEA published a comprehensive position paper on merit pay in 1984. Official statements and publications were supplemented by references to association positions in other publications and conversations with association officials.

2. Whatever the problems associated with implementing a merit pay system, the policy is worth exploration and experimentation.

The American Federation of Teachers (AFT) has deep-seated reservations about the efficacy of merit pay. The Federation labels as "misguided" the "idea that incentive pay or discretionary merit pay is the most important cure for what ails the teaching profession" (AFT, 1984, p. 2). But with these reservations in mind, the policy statement notes "that some of the more recent proposals allowing the advancement of large numbers of teachers to 'master teacher' type career roles involving extra pay warrant consideration" (AFT, 1984, pp. 2-3). NEA has been identified as more intransigent than AFT in opposition to merit pay but the NEA president, Mary Hatwood Futrell, noted that it is a "mistaken impression that the NEA opposes merit pay or master teacher plans across the board" (Jordan & Borkow, 1983b, p. 40). There is no one out there arguing that merit pay systems should not be given consideration at the state and local levels.

3. Substantial improvement in the base salary of teachers is necessary to the effective implementation of merit pay for teachers.

The American Association of School Administrators (AASA) begins its policy statement on merit pay by asserting, "at the entry level, salaries should be established at a sufficiently high level to attract people from the top one fourth of those choosing vocations requiring at least a bachelor's degree" (AASA, 1983, p. 24). Merit pay for some teachers is no substitute for adequate pay for all teachers. AFT states the policy simply,

"any new compensation plan should have as a fundamental a higher base pay for all teachers" (AFT, 1984, p. 3).

4. Apart from the issue of merit pay, incompetent teachers should not be retained by local districts.

The policy statements of the AFT and the NSBA are almost identical on the issue of incompetent teachers. The AFT recommends "implementation of fair and practical methods for removing incompetent teachers from the profession" (AFT, 1984, p. 2). The NSBA "urges school boards to terminate the employment of teachers whose performance continues to be substandard despite efforts to help them improve" (NSBA, 1984, p. 3).

In addition to these four elements that are mentioned in most of the policy statements, there are two points emphasized in some of the statements to which no exception is taken by other associations, i.e.:

5. Interested groups should be involved in planning for the design and implementation of merit pay systems.

AASA summarizes this position by noting that involvement should include teachers, administrators, parents, the school board, businesses, and the community. Predictably, the associations of teachers are concerned that local teachers be involved from the beginning in planning for merit pay.

6. Merit pay systems are context-specific (i.e., they need to fit the local community in which they are operating).

AASA, NSBA, AFT, and NEA concur that decisions about merit pay need to be designed, planned, and implemented at the local level. No association advocates a federal role in this policy

arena other than exhortation. NASBE encourages state boards to experiment with a number of financial incentives for rewarding teachers.

Topics of Contention

There are, of course, a number of issues surrounding merit pay systems on which the associations disagree in their policy statements and in their official publications. We will label these areas of disagreement (1) affect, (2) criteria, (3) process, (4) sequence, and (5) effect.

1. Affect: The perception that merit pay systems hold substantial promise for improving the quality of American education by improving teacher performance.

There was no doubt where the National Commission on Excellence stood on this point. The Commission recommended that "salaries for the teaching profession should be increased and should be professionally competitive, market-sensitive, and performance-based" (National Commission on Excellence in Education, 1983, p. 30). The report went on to recommend a specific form of merit rating (i.e., career ladders for teachers). In all, three of the seven recommendations of the Commission that were intended to make teaching a more rewarding and respected profession dealt with merit pay for teachers.

A similar tone of optimism about merit rating is reflected in the policy statement of NSBA. AASA is more cautious in its policy statement but still reflects the feeling that if the system is designed and implemented with care it will succeed. The Council

of Chief State School Officers (CCSSO) calling for more research, the National Association of Secondary School Principals (NASSP) recommending discussion, and NASBE advocating experimentation seem to reflect a wait and see position.

AFT and NEA are pessimistic. The AFT policy statement points out that incentive pay or discretionary merit pay is distracting the attention of the public from proposals that would be more likely to improve teacher quality. In the preface to its formal policy proposals the Federation noted, "the history of such efforts is riddled with failure owing to their inherent subjectivity, staff morale problems, and the cumbersome nature of their administration" (AFT, 1984, p. 3). This is similar to the NEA's review of the experience with merit pay, to wit, "the essential lesson of the past is that a major improvement in teacher compensation plans cannot come from merit pay" (Watts & Masters, 1984, p. 20).

Despite the fact that it is literally true to argue that there is no one out there in the professional community unwilling to consider merit pay and no one who believes it will solve the problem of teacher quality, enthusiasm for merit pay does vary widely across the professional education associations. Some groups feel it can work and, if given a chance, it will improve teaching. Others are of the opinion that it is unworkable as a general compensation policy and will have little impact on teaching performance. Many of the associations are simply uncertain about the long range effect of merit pay.

2. Criteria: The assumption that valid criteria can be constructed on which to base merit pay.

No association is arguing that a set of valid criteria for the assessment of teaching exists currently which can be adopted by school districts that wish to implement a merit pay plan. NSBA argues that some individual districts are already operating with criteria satisfactory to them. Implicit in the reform reports and the position of most of the professional education associations is the assumption that progress toward a more valid set of criteria can be made using past experience, evaluation of current plans, and research on teaching.

The teachers' associations and the National Association of Elementary School Principals (NAESP) are not sanguine about this issue. They are concerned that the criteria employed now and in the future will be too simple to reflect the complexity of teaching and/or too crude to distinguish between effective and ineffective teaching.

3. Procedures: The assumption that criteria, when developed, can be applied reliably and equitably across teachers.

Past experience with merit pay systems in and outside education justifies the concern of the teachers' associations that it is difficult to train observers or raters to reliably assess teacher performance. There are trade-offs that are difficult to resolve. Criteria that are sufficiently complex to reflect the dimensions of teaching are unlikely to be objective. More objective measures are overly simple and specific.

Again, the issue boils down to the predictions of what might be successful in the future. The AFT has suggested recently that well trained peer evaluators might reduce problems of reliability and equity. NSBA obviously believes the problem can be solved and points to merit systems that are currently working satisfactorily to support its point of view. The NEA believes that past failures are likely to be repeated.

4. Sequence: The assumption that local education agencies working diligently and in good faith can solve the problems of evaluation and meet the necessary criteria for an effective merit pay system.

Most of the policy statements indicate that merit pay can only work given a set of associated conditions (i.e., an adjustment in the base salary of teachers, a broad-based personnel development system, staff involvement in the plan's design, and adequate tools and techniques for performance-based assessment). The NEA and the AFT view these as necessary pre-conditions. If you pictured the situation as one of negotiation, the teachers' associations would tend to argue that before merit pay can be discussed the broader issues must be resolved. In counterpoint, NSBA and AASA would assume the position that some of the items can be worked out as the system is built and/or that some of the pre-conditions (e.g., adjustment in the base salary of teachers) cannot be attained until after merit pay has been instituted.

5. Effect: The assumption that a merit pay plan can be devised that is effective and durable as well as technically feasible.

This issue brings us full circle. Associations that accept the basic proposition of the National Commission on Excellence believe that merit pay systems will have payoffs in student performance. This view of the effect of merit pay justifies the conceptual, technical, and political problems surrounding its implementation. Professional associations that question the Commission's view predict that the effect obtained through merit pay will be minimal and that unforeseen effects will undermine the durability of the system (i.e., morale problems, cost, administrative work load).

Summary of State-Level Policy Implications

No policy on performance-based pay for teachers, including the single salary schedule, will be acceptable to all professional education associations. Associations representing teachers will be the most cautious in moving away from current practice in LEA salary schedules. None of the associations have expressed confidence in shifting the decision about salary policy to the state or federal levels. Even the associations with the most disparate views on salary policy (i.e., the NSBA and the NEA) would agree on the desirability of leaving the decision at the local policy level.

If a state wished to stimulate and facilitate experimentation with performance-based merit pay, the policy positions of the

associations would suggest that the following factors need to be considered:

- Cost. A successful merit pay plan will result in significantly higher expenditures on educational personnel. In addition to the merit increments, there will almost certainly be an increase in (1) the base pay for all teachers, (2) the time involved in evaluating teachers, and (3) expenditures for in-service assistance to teachers.
- Time. The movement from a single salary schedule to a performance-based schedule will require time for negotiation, development of assessment criteria and processes, field trials of evaluation instruments and procedures, and training of evaluators.
- Involvement. No plan will work that ignores the often conflicting interests of the parties involved in performance-based pay systems. Involvement must start with the design of the system and continue through its operation.

There are pitfalls that any state proposal should certainly avoid, to wit:

- Reliance on what is described as a traditional merit pay plan (i.e., a plan designed to produce fine discriminations among teachers for yearly salary increments, in contrast to alternatives such as career ladder, master teacher, or school-based merit systems which hold greater

promise for successful negotiation among professional education associations);

- Plans with quotas or exclusions that do not allow all teachers to compete for merit pay;
- Plans that have trivial financial rewards attached to the merit increments;
- Proposals that restrict the autonomy of local districts to build their own merit pay plans; and
- Proposals that ignore the relationship of merit pay to other aspects of educational personnel development at the local district level.

4. Merit Pay Plans and Proposals in State Education Agencies

The recent widespread popularity of pay for performance policies for teachers has resulted in some level of discussion of the issue in all states. However, at this time, ten (10) states do not report any formal policy activity, i.e., Hawaii, Illinois, Michigan, Minnesota, Montana, Nevada, North Dakota, Ohio, Rhode Island, Wyoming. Ten (10) states report that the issue is under study or formal discussion, i.e., Arkansas, Indiana, Iowa, Kansas, Missouri, New Mexico, New York, Oklahoma, South Dakota, West Virginia.[1] The remaining thirty (30) states have teacher incentive structure policies at one of five stages of policy development:

1. adoption, i.e., a policy has been chosen and passed through the legislative process;
2. trial, i.e., the policy has received approval for experimentation either through the legislative process or by executive action;
3. deliberation, i.e., a policy has been introduced in the legislative process and is under consideration or undergoing refinement;
4. development, i.e., task forces or subcommittees have been formed and charged with the responsibility of drafting a policy for consideration or making policy recommendations;

[1] The information about merit pay plans and proposals in state education agencies noted in this section was compiled from several sources including: Merit pay plans for teachers: Status and descriptions (ERS, 1983); State actions: Career ladders and other incentive plans for school teachers and administrators (SREB, 1984a); Career ladder clearinghouse: News from the states (SREB, 1984b).

5. proposition, i.e., a particular policy direction has been proposed for discussion and possible consideration.

Figure 1 identifies the current status of the policy development activities of the thirty (30) states that are working with teacher incentive structures.[2]

Types of Merit Pay Options

The following policy options were chosen or are under consideration in the thirty (30) states noted in Figure 1:

- Career Ladder Plans--There is some form of stratification of the teaching profession (e.g., specified career advancement steps);

Figure 1. Policy Development Stages of 30 States Relative to Teacher Incentive Policies

Stages in the Policy Development Process				
Adoption	**Trial**	**Deliberation**	**Development**	**Proposition**
Arizona	Colorado	Connecticut	Alabama	Alaska
California	Maine	Georgia	Delaware	Mississippi
Florida	New Jersey	Idaho	Kentucky	N. Hampshire
Maryland	Virginia	Massachusetts	Louisiana	
Pennsylvania	Wisconsin	N. Carolina	Nebraska	
Tennessee	S. Carolina		Oregon	
Texas			Vermont	
Utah			Washington	

[2] Ibid.

- Differentiated Staffing--Teachers are assigned to perform specified, usually noninstructional, duties in lieu of all or a portion of the classroom teaching assignment (e.g., department chair, curriculum coordinator, team leader, parent liaison, or master teacher);
- Merit Awards to Outstanding Schools--Awards are made to individual schools meeting some criteria of student achievement;
- Local Initiatives--State level support is provided for a variety of locally identified incentive structures; and
- Market-Sensitive Salaries--Salary differentials are provided for teachers in areas of critical shortage (e.g., mathematics, science, foreign languages, and special education). The policy options chosen or under consideration by the states fit loosely into one or more of these categories as depicted in Figure 2.[3]

Figure 2 (p. 43) highlights the most popular policy option (i.e., career ladder plans). Career ladders are often thought of as a mechanism for providing advancement within the teaching profession based on excellence in productivity or performance without an accompanying movement out of the classroom. The common analog is the professorial career ladder within colleges or universities. No extra duties are specified; no extended contract is considered. Any additional duties or work load is a natural accompaniment to reputation and tenure. No state plan that has been adopted, piloted, or is under consideration fits

[3] Ibid.

this definition. They all require or allow extra time, extra duties, or both. Examples of typical additional duties are supervising student teachers, assisting new teachers, staff development, curriculum design, additional projects, research,

Figure 2. Policy Options Chosen or Under Consideration by States in the Area of Teacher Incentive Structures

	Types of Merit Pay Options				
STAGES	Career Ladders	Differentiated Staffing	Merit Awards Outstanding Schools	Local Initiatives	Market Sensitive Salaries
Adoption	Arizona Florida Tennessee Texas Utah	California	(Florida)	Maryland Pennsylvania	(Florida)
Trial	Maine S. Carolina Virginia Wisconsin	New Jersey	(S. Carolina)	Colorado	
Deliberation	Connecticut Georgia Idaho N. Carolina	Massachusetts			
Development	Alabama Delaware Kentucky Nebraska Oregon Washington				
Proposition	Louisiana Vermont	Alaska	Mississippi	New Hampshire	

and departmental chair responsibilities. Thus, while variations occur across the states, career ladder advancement requires both outstanding performance and a willingness to assume additional responsibilities.

The range of additional activities required in differentiated staffing plans is the same as in career ladder plans. Mentor teachers in California may be assigned to work with other teachers, assist with staff development projects, or work on curriculum development projects, although the majority of their time is to be spent in classroom teaching (Jordan & Borkow, 1983b, p. 16). The proposal under consideration in Massachusetts would provide incentives for teachers who assume additional assignments such as chairing a department or working on in-service programs (Southern Regional Education Board [SREB], 1984a, p. 5).

Career ladders and differentiated staffing as defined in the state plans and proposals look alike in terms of changes in the teacher's work. As defined in the research literature, they do not look alike. A career ladder is a way of modifying the traditional structure of the teaching career, whereas differentiated staffing is a way of "increasing teachers' compensation and making the job more interesting by extending and varying teachers' responsibilities" (NASSP et al., 1984, p. 16) While the differences between career ladders and differentiated staffing are clear in intent, the differences become blurred in practice.

South Carolina and Florida have included provisions in their state plans for providing merit awards to outstanding schools. South Carolina is piloting a program to reward schools and school

districts based on criteria such as student achievement and improved teacher and student attendance (SREB, 1984a, p. 7). One of the provisions of the Florida plan allows school districts to participate in the District Quality Instruction Incentives Program. As a part of this program, which is modeled on the Houston Second Mile Plan, districts may provide awards to qualifying teachers who are employed at a "school center where the school average for the student's rate of academic gain, as measured by standardized tests, is greater than the mathematically predicted school achievement expectancy" (ERS, 1983, p. 168). To qualify the teacher must meet the following criteria: (1) satisfactory annual evaluations; (2) one year of teaching experience; (3) certification in the assigned teaching field; (4) completion of specified educational and testing requirements; and (5) full-time employment (ERS, 1983, P. 62). These state level provisions for rewarding outstanding schools are noteworthy. Similar activities at the LEA level and supporting findings from the research literature would indicate that this type of incentive plan might become a trend.

Instead of mandating a particular type of incentive structure, Pennsylvania, Colorado, and Maryland support local initiatives. Pennsylvania provides grants to local school districts on a noncompetitive basis. The grants are intended to support locally developed efforts including recognition programs, staff training programs, grants to teachers for special projects, or other incentives (SREB, 1984a, p. 7). Colorado supports pilot programs on incentive structures to be developed at the local level.

Evaluative information about successful programs will be disseminated throughout the state (SREB, 1984a, p. 2). Permissive legislation in Maryland allows local school districts to allocate funds for incentive programs including, but not limited to, career ladder and master teacher plans (SREB, 1984a, p. 5).

To establish market sensitive teacher salaries, the New Hampshire Commissioner has advocated a $4000 salary supplement for teachers in critical shortage areas (ERS, 1983, p. 65). One of the provisions of the Florida District Quality Instruction Program allows districts to provide awards to qualifying teachers who are employed in a "critical teacher shortage subject area" or a "critical shortage area school site" (ERS, 1983, pp. 62-63).

In summary, the full range of types of merit pay options have been adopted or are being considered in the states. Figure 2 highlights the most popular policy option (i.e., career ladder plans). But, the apparent uniformity masks marked differences—differences in the building blocks of a state teacher incentive structure policy.

Building Blocks of State Policy

When an incentive structure type has been chosen, the policy decision has not been made. The choice of type leaves undecided a wide range of additional options, and every type has exactly the same set of options. Don't be misled by Figure 2. It tells much on the one hand and little on the other. It tells you that there is a push to something labeled "career ladders" and so career ladders have dominated much of the policy discussion at

the state level. But to build a state policy you have to consider the other options, the building blocks. Choices have to be made about (1) locus of control, (2) eligibility for participation, (3) criteria, (4) evaluation processes, and (5) incentives and delivery systems. The choices made by the states that have adopted or are piloting a plan highlight the range of options available for consideration.

Locus of Control. The Tennessee plan is an example of a state mandated and controlled merit system for teachers with rigid controls. The plan is administered at the state level. Local districts are required to implement it. Incentives are provided by the state (i.e., advanced certification levels). The evaluation system was designed at the state level. Criteria and evaluation methods were established by the legislation and evaluations are conducted by state-trained teams of teachers (SREB, 1984a, pp. 7-8). A less dominant state role is assumed in Utah. A career ladder system is mandated, but the local districts structure the system, design the evaluation process, and determine the types of duties to be performed by teachers advancing on the career ladder. The state provides guidelines and approves the local plan (SREB, 1984a, p. 9). At the opposite end of the continuum, Pennsylvania provides financial resources to local districts to develop their o'n incentive plan for teachers (SREB, 1984a, p. 7).

So the first choice that needs to be made by state policymakers is who will control the incentive program. This choice will be reflected in all of the other choices necessary to build

a state policy. If the decision is made in favor of rigid state control, the specific components of the incentive program must be negotiated at the state level. If the decision is made in favor of local control, the specific components of the incentive program will vary according to the context of the local districts.

Participants. In most states only classroom teachers are eligible to participate in the incentive plan. In some states the definition of "teacher" includes nonclassroom instructional personnel such as media specialists and guidance counselors. In a few states, especially southern states, both administrators and teachers are included in the incentive structure (Cornett, 1984, p. 1).

However, the state plans have other eligibility requirements. California mentor teachers must have "substantial," recent classroom experience (ERS, 1983, p. 164). The Florida associate master teacher must have four years of teaching experience including two years in Florida, no unapproved absences for two of the three years preceding application, a qualifying score on a subject area examination, and a master's degree in the area of the current teaching assignment or in another area with fifteen hours in the current field (ERS, 1983, p. 168). In Texas, advancement to each of four levels requires a specified number of years at the previous level and graduate coursework (SREB, 1984a, p. 8). These eligibility requirements are in addition to classroom performance criteria.

Criteria. The criteria for merit pay used in all of the state level incentive plans include some measure of classroom

performance (e.g., teacher ratings, or student achievement test scores). In California, for example, the mentor teacher must demonstrate "exemplary teaching ability as indicated by, among other things, effective communication skills, subject matter knowledge, and mastery of a range of teaching strategies necessary to meet the needs of pupils in different contexts" (ERS, 1983, p. 61). Florida requires superior performance evaluations and outstanding attendance of its master teachers (ERS, 1983, p. 63). However, as was noted in discussing eligibility requirements for participation in state incentive programs, the traditional criteria of the single salary schedule have not been abandoned. The single salary schedule includes criteria that distinguish among teachers, and these have been retained (i.e., experience, academic credits, advanced degrees, and participation in in-service activities). So, although the state incentive plans have introduced new criteria, they have not eliminated traditional criteria related to pay. Thus, the criteria adopted by the states are more comprehensive.

Evaluation Processes. The degree of centralization (i.e., the choice about locus of control) influences the evaluation processes designated in the state plans. For example, in Tennessee evaluation methods and procedures were developed by the state and specified in the legislation (SREB, 1984a, p. 8). Classroom observations, peer and student questionnaires, teacher portfolios, and written tests are used by state evaluation teams to evaluate Tennessee teachers at the highest career levels (Cornett, 1984, p. 3). In Florida and Texas, state-developed instruments and

state-specified evaluation procedures are used at the local level (Cornett, 1984, pp. 2-3). California requires that local district plans include a selection committee of teachers and administrators to nominate mentor teachers (ERS, 1983, p. 165). In Utah, local districts structure the incentive systems, but the state requires that measures of performance include formal classroom evaluations and student progress (SREB, 1984a, p. 9). The Arizona and Colorado plans support local initiatives and decisions about evaluation processes are made at the local level (SREB, 1984a, p. 9).

In summary, the evaluation processes included in the state plans reflect three levels of state control: (1) evaluation processes are designed and implemented at the state level; (2) evaluation processes are specified or guidelines provided at the state level but implemented by local districts; (3) local districts design and implement the evaluation processes. For the state policymaker the difficult decision is who is to be trusted.

Incentives and Delivery Systems. The most common incentive is increased status or prestige through career promotions with an accompanying salary increment. In most instances the increased status and salary also require additional work (e.g., staff development, support to beginning teachers, curriculum development). Other incentives that are being considered include: (1) percentage merit pay increases; (2) financial support for graduate classes, workshops, or attendance at conferences and conventions; (3) sabbatical leaves; (4) extended employment; (5) grants for projects; and (6) cash awards or bonuses (SREB, 1984a, p. 1).

The most common delivery system is pay for performance for individual teachers. But two states, Florida and South Carolina, recognize outstanding schools and provide for awards to be made to all teachers based on student progress.

The important consideration for state policymakers is the choice about what incentives and what delivery systems are most meaningful to teachers. Is a certification endorsement of master teacher as important to the teacher as differentiated assignments at the local level? Is a reward delivered by a state education agency as important as one delivered at the local district level? State policymakers can anticipate that individual teachers will view rewards and delivery systems differently. The meaningfulness of particular incentives and delivery systems will vary according to the context of the local school districts.

Summary of State-Level Policy Implications

The state experience to date actually suggests little of assistance to policymakers. The plans underway are too recent to have been evaluated. The types of policy options that have been chosen seem to have been based more on the publicity surrounding career ladders in the National Commission on Excellence Report than a careful assessment of the purpose of merit pay, how that fits various types of plans, and the possibilities for successful implementation. The emphasis on state versus local control varies by state but its effect is not yet clear.

It is possible to criticize the state actions on the basis of evidence from LEAs, professional organizations, and the research

literature on merit pay. Those reference points would lead the authors to the conclusion that the states which avoided adoption of a plan in round one (i.e., 1983-84 or earlier) may be advantaged by being able to use the experience of others to guide their judgment. Those states that have committed themselves to support local initiatives without a mandate for merit pay in LEAs are responsive to the finding that successful plans are context-bound. Those states that encourage trial before adoption have a better opportunity to succeed in disseminating performance-based merit pay. Those states that have left the processes of planning, implementation, and evaluation up to the local school districts seem to have a better chance of integrating merit pay into the local personnel development program and avoiding massive bureaucratic tangles.

On the basis of logical rather than empirical analysis, we would predict that the prescriptive state plan of Tennessee is the least likely of all the state policy efforts to succeed in disseminating durable merit pay systems at the local level. Within the subset of states advocating career ladders, Utah and Arizona would, for example, better fit the conclusions of the preceding sections. Based on current information we would hold out even greater promise for those states such as Colorado and Pennsylvania that are supporting local initiatives without specifying a type of merit pay system.

5. Conclusions and Implications

Experience with performance-based pay plans in and outside education and evidence from research and evaluation about such systems are sufficient to justify a number of generalizations.

What We Know

- Purposes
  - Merit pay has little or no effect on broad issues of teacher quality (e.g., recruitment and retention).
  - Merit pay can serve specific purposes in LEAs. Under favorable conditions it can affect teacher performance positively. It is neither a comprehensive personnel evaluation nor staff development system. It can provide deserved recognition to good teachers. Merit pay is no substitute for a selective retention policy to eliminate incompetent teachers.
- Criteria for Evaluation
  - Teacher evaluation will require multiple measures to assess performance.
  - There are not now, nor will there be, criteria and processes for assessing the performance of professional educators that are unassailable on grounds of validity, reliability, and equity. The basic issue surrounding evaluation in a merit system is whether a credible political compromise can be arrived at that protects the interests of the public and the teacher. Satisfactory evaluation is a political not a scientific issue.

- Merit pay plans demand substantial time and resources for evaluation.
- Traditional merit pay plans that labor to establish and justify narrow distinctions among teachers will finally fall of their own weight.

- Criteria for Eligibility
  - All teachers should be eligible for merit awards.
  - Successful performance-based merit pay systems emphasize achievable standards rather than exclusive awards.
- Pre-conditions for Success
  - Merit pay succeeds in successful school organizations. It is an unlikely device to trigger organizational reform.
  - Successful plans are built upon a base pay competitive with other professions requiring similar preparation.
- Context for Success
  - Merit pay must be an integral part of a district's total personnel development system.
  - All interested reference groups must be involved in the initial planning and implementation and the continuing evaluation and improvement of the merit system.
  - Merit plans require time for design, development, and installation. They need room for trial and error and renegotiation.
  - Successful merit pay plans have a distinctly local flavor (i.e., they suit the community and school district in and for which they were invented).

The most recent experiences with merit pay suggest some more tentative generalizations worth examination and testing.

What Seems Likely to be True

- Credible, durable merit pay systems will involve teacher participation in evaluation.
- A delivery system that emphasizes group performance (e.g., school awards) may be more useful than one built upon individual awards.
- Modified delivery systems (e.g., career ladders, master teacher plans, or differentiated staffing) that recognize directly the connection between merit pay and career development are more effective than traditional merit systems.

Implications for State Policymakers

In the first section, we noted that "there is no local plan that is appropriate for dissemination to all schools." That is true. And it is equally true that there is no evidence that a single type of merit pay (e.g., career ladders) is appropriate for use in all school districts. This suggests to us that:

1. State policymakers avoid mandating or advocating a particular plan or type of merit pay system for local school districts.

Whatever action is taken should recognize the difficulty in the past of installing and maintaining merit pay plans for teachers. This infers that:

2. The state should provide encouragement and support for local experimentation with merit pay systems with no external timelines or mandates for action imposed on LEAs.

Since the evaluation of teaching will remain problematic on scientific grounds, state policymakers might conclude that:

3. The state plan should avoid any effort to specify criteria for or processes of evaluation. Since a locally effective evaluation system will be based on locally acceptable negotiations among interest groups, the choice of criteria and process must be specific to the LEA. The state may choose to provide technical assistance to interested local educators.

With the emergence of a variety of new forms of merit pay and delivery systems for merit pay, we would suggest that:

4. The state encourage and support systematic evaluation of local merit plans, the aggregation of those evaluation results, and the dissemination of that information to LEAs throughout the state.

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